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## South Africa, Republic of

### Retail Food Sector

### Annual Report

### 2006

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**Report Highlights:**

South African retailers continue to dominate the top five spots in the Africa and Middle East ranking, mainly due to their position in Africa's largest retail market. Market leaders Shoprite, Pick 'n Pay, Spar, Massmart and Woolworths have been busy adapting to changing conditions and perfecting their store formats while expanding across the borders into Southern African countries and beyond. Additionally, South African retailers are going organic and Woolworths and Pick 'n Pay are the two leading retail-chain stores that are looking for suppliers of organic food and beverages, organic baby food, vitamins and supplements, and also beauty and skincare products. The South African natural and organic market sector has grown 300% over the past two years, and is expected to grow over at over 30% per year in the next five years. There are only 200 certified "Organic" producers in South Africa, compared to Mexico with approximately 35,000. South Africa has only 4 organic wine producers – there were over 750 organic wines exhibitors at BIOFACH Germany in 2005.

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**SECTION 1. MARKET SUMMARY**

South Africa, a growing retail market with a population of around 46 million people, possesses a modern infrastructure supporting an efficient distribution of goods to major urban centers throughout Southern Africa. South Africa also has well-developed financial, legal, communications, energy, and transport sectors. South Africa's economic situation and the strength of the rand continue to improve, causing food retailers to continually update their selection of imported and locally produced items. There are many players in the food retail industry in South Africa. On the high end South Africa has highly sophisticated retail chain supermarkets such as Shoprite-Checkers, Pick n Pay, Spar, Woolworths, and New Clicks. Wholesale outlets such as Makro, Metro Cash and Carry, and Trade Center; independent stores such as Biforce Group, Bargain Group, Shield Wholesalers; convenience chain stores including forecourts (gas stations with convenience stores); traditional stores which includes independent stores such as general dealers, cafes, spaza shops, street vendors, hawkers, tuck shops, and primitive small street corner stalls at the other end of the retail sector. The South African food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. Tables below, outlines retail and wholesale trade sales.

**1.1 RETAIL TRADE STATISTICS:**

Table of Total retail trade sales (\$ million): 2001 – 2005

Month	2001	2002	2003	2004	2005 1/
January	2,402	2,674	3,046	3,446	3,650
February	2,324	2,606	2,919	3,350	3,611
March	2,581	2,909	3,235	3,537	3,858
April	2,561	2,825	3,136	3,471	3,918
May	2,609	2,971	3,303	3,664	4,021
June	2,962	2,938	3,201	3,648	3,940
July	2,649	2,932	3,249	3,706	3,995
August	2,614	2,981	3,227	3,582	4,064
September	2,593	2,975	3,295	3,773	4,149
October	2,750	3,108	3,395	3,939	4,398
November	2,899	3,318	3,658	4,157	4,638
December	3,806	4,287	4,768	5,449	6,141
Total	32,391	36,528	40,438	45,727	50,388

Source: Statistics South Africa

Notes: 1/ preliminary

Table of % change in Total retail trade sales 1/: 2001 – 2005

Month	2001	2002	2003	2004	2005
January	5.5	11.3	13.9	13.1	5.9
February	6.3	12.1	12.0	14.7	7.8
March	7.5	12.7	11.2	9.3	9.1
April	7.4	10.3	11.0	10.7	12.9
May	8.3	13.9	11.2	10.9	9.7
June	9.7	13.0	9.0	14.0	8.0
July	10.9	10.7	10.8	14.1	7.8
August	10.6	14.0	8.3	11.0	13.5
September	8.2	14.7	10.8	14.5	10.0
October	10.4	13.0	9.3	16.0	11.6
November	8.8	14.5	10.2	13.6	11.6
December	8.5	12.6	11.2	14.3	12.7
Total	8.5	12.8	10.7	13.1	10.2

Source: Statistics South Africa

Notes: 1/The % change is the difference between retail trade sales of the relevant year and those of the previous year expressed as a %.

Total retail trade sales according to type of dealer (\$ million): 2005

Month	Type A	Type B	Type C	Type D	Type E	Type F	Type G	Total 2/
Jan	1,369	0,460	0.175	0.657	0.270	0.206	0.511	3,650
Feb	1,357	0.465	0.183	0.594	0.263	0.228	0.519	3,611
March	1,456	0.507	0.184	0.635	0.280	0.217	0.577	3,858
Apr	1,353	0.495	0.207	0.790	0.288	0.231	0.551	3,918
May	1,388	0.466	0.216	0.828	0.296	0.253	0.571	4,021
June	1,420	0.482	0.205	0.670	0.327	0.265	0.568	3,940
July	1,421	0.506	0.186	0.718	0.335	0.264	0.562	3,995
Aug	1,435	0.487	0.202	0.717	0.335	0.282	0.603	4,064
Sep	1,543	0.508	0.187	0.726	0.355	0.305	0.522	4,149
Oct	1,545	0.509	0.195	0.818	0.376	0.324	0.627	4,398
Nov	1,619	0.532	0.191	0.833	0.450	0.344	0.665	4,638
Dec	2,132	0.748	0.187	1,410	0.651	0.274	0.736	6,141
Total	18,043	6,170	2,324	9,401	4,232	3,198	7,017	50,388

Source: Statistics South Africa

Notes: 2/ Figures have been rounded off. Therefore, discrepancies may occur between sums of the component items and the totals.

Type A , General Dealers (non-specialized stores with food, beverages and tobacco).

Type B, Retail trade in specialized food, beverages and tobacco stores.

Type C, Retailers in pharmaceutical and medical goods, cosmetics and toiletries.

Type D, Detailers in textiles, clothing, footwear and leather goods.

Type E, Retailers in household furniture, appliance and equipment.

Type F, Retailers in hardware, paint and glass.

Type G, all other retailers.

**1.2 WHOLESALERS TRADE STATISTICS:**

Total wholesale trade sales (\$ million): 2001 – 2005

Month	2001	2002	2003	2004	2005
January	3,970	4,525	4,918	5,148	5,761
February	4,273	4,768	5,626	5,815	6,030
March	4,280	5,071	5,788	6,295	6,440
April	4,157	5,052	5,365	5,622	6,622
May	4,413	5,147	5,671	6,786	6,887
June	4,491	5,056	5,859	6,988	7,141
July	4,348	4,977	5,970	6,694	7,121
August	4,430	5,130	5,730	6,828	7,336
September	4,237	5,382	5,854	6,905	7,620
October	4,852	6,040	6,165	7,476	7,875
November	5,025	5,961	6,295	7,966	8,439
December	4,886	5,410	5,380	6,873	7,302
Total	53,367	62,525	68,627	79,400	84,581

Source: Statistics South Africa

Percentage change in total wholesale trade sales: 2001 - 2005

Month	2001	2002	2003	2004	2005
January	20.5	14.0	8.7	4.7	11.9
February	15.7	11.6	18.0	3.4	3.7
March	6.5	18.5	14.1	8.8	2.3
April	12.1	21.5	6.2	4.8	17.8
May	10.8	16.6	10.2	19.7	1.5
June	12.4	12.6	15.9	19.3	2.2
July	12.5	14.5	19.9	12.1	6.4
August	8.3	15.8	11.7	19.1	7.4
September	3.6	27.0	8.8	18.0	10.3
October	9.8	24.5	2.1	21.3	5.3
November	10.4	18.6	5.6	26.6	5.9
December	14.0	10.7	-0.5	27.7	6.2
Total	11.2	17.2	9.8	15.7	6.5

Source: Statistics South Africa

Total wholesale trade sales according to type of dealer (\$ million): 2005

Group Type	Wholesale description included in group type	\$ million
A	Wholesale trade on a fee contract basis.	4,561
B	Wholesale trade in agricultural raw materials and livestock.	3,178
C	Wholesale trade in food, beverages and tobacco.	15,915
D	Trade in textiles, clothing and footwear.	2,698
E	Trade in other household goods except precious stones.	8,641
F	Trade in precious stones, jewelry and silverware.	2,515
G	Trade in solid, liquid and gaseous fuels and related products.	14,208
H	Trade in metals and metal ores.	2,990
I	Trade in construction and building materials.	4,771
J	Trade in other intermediate products, waste and scrap.	3,075
K	Trade in machinery, equipment and supplies.	15,226
L	Trade in other goods.	6,387
	TOTALS	84,581

Source: Statistics South Africa

The South African retail market consists of a few major supermarkets chains, convenience chains, and some independent stores. According to ACNielsen Research, currently 54% of retail sales occur in the major supermarkets chains, Shoprite, Pick n Pay, Spar and Woolworths. It is predicted that this figure will reach 60% in 2008, which will bring South Africa in line with the global trends. The food retail sector continues to expand, while supermarkets, convenience stores and forecourts are rapidly becoming the dominant food retail outlets. A boom in the franchise sector, convenience stores, and forecourts, which are good venues for imported products, provide better access and convenience for consumers.

The economic impact of South Africa hosting 2010 Soccer World Cup is expected to result in \$350 million in improvements and investment projects, and will impact the overall growth in the food and beverage sector. Best prospects for U.S. products include several high value products including almonds, cultivated ginseng root, canned salmon, American bourbon whisky, new oak staves for wine barrels, sauces and frozen food preparations. These items have shown consistent growth over the last five years and represent important opportunities for U.S. exporters.

South Africa has a two-tiered economy, one rivaling other developed countries and the other with only the most basic infrastructure. It can be characterized as a productive and industrialized economy that exhibits many characteristics associated with developing countries, including a division of labor between formal and informal sectors-and uneven distribution of wealth and income. The formal sector, based on mining, manufacturing, services, and agriculture, is well developed.

Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-

operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods on a self-serve basis. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Many U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities and goodwill in the market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South African market.

**Retail trends, Consumer Tastes and Preferences:** Despite the variety of options available to South African consumers, price sensitivity rules their behavior. A source survey revealed that own brands or private label – products that are exclusive to a particular retailer – are capturing more of the consumer spend. There were 10,500 new Fast Moving Consumer Goods (FMCG) items launched in South Africa in 2005. The highest number of new products launched in 2005 was in the personal care category, followed by dry grocery, confectionery and non-alcoholic beverages. The highest demand products are non-alcoholic beverages, followed by personal care products.

Line extensions dominate new product launches in South Africa, with few brands and little true innovation. Master Foods brand entry into other product categories included Purity into Infant Milk, Flora into Mayonnaise, McCain into frozen recipe meals, Boplus into Sweets, Nivea into Deodorants and Canderel into Chocolate coated lines. Existing brand offerings include new pack sizes, flavors or variants included Cadbury launching Mouses and Truffles, Black Cat bringing out a 210g squeeze tube, All Gold Baked Beans in BBQ, Cheese, Malay Curry and Sweet & Sour flavors and Selati sugar in shakers. A source survey found that 47.8% based their decisions on price and 16.9% buy store brand (generic brand) items because they are good value for money. Only 13.4% mentioned quality as a motivator, while 4.3% of survey participants perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts, canned fruits and jellies.

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the Black population's buying power is increasing. On the other hand, product attributes that may help a product succeed in township markets are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration. A local research company recently reported findings that confirm this, stating, "we have heard for the past 20 years that the [low income] consumer wants smaller packaging, but it is still amazing how many manufacturers do not heed that call."

An ACNielsen study reveals that there were 10,500 new FMCG's launched in South Africa in 2005, including new brands, brand extensions and new types of products.

South Africa is in a somewhat different position than the US and Europe, being a developing market. Categories (of which there are 167, according to ACNielsen) are less crowded, so it is easier to “get in”. For this reason, it is also easier to differentiate one’s brand from its competitor’s. In addition, relatively low media costs make it easier to build awareness of a new product. However, budgets for consumer research are generally not high and marketers may have a limited understanding of their target market, in addition the retail trade in South Africa is consolidated, making it difficult to achieve broad based distribution quickly. Consumers in South Africa are willing to try new products and of those who plan their shopping trips, 41% say they always buy something additional, while 30% say they sometimes by additional products.

ACNielsen urges South African manufacturers to adopt a new attitude towards pricing, as South Africa holds a high 35% volume responsiveness level to a 10% price reduction, in comparison to the USA’s 17% or UK’s 20%. According to ACNielsen August 2005 studies, the food sector is by far the most receptive to price reduction nationally, followed by the beverage sector. Building equity is particularly important in the Food Sector, as consumers are more inclined to shop around for special offers on food than they are in other sectors. On an average 750 item basket, the difference in pricing between the most and least premium major South African retailers is currently only 5%. This figure has come down from 7% two years ago, and emphasizes the importance of effective product distribution to all major retailers.

A steady increase in the number of households in South Africa, which is predicted to increase from the current number of 9.8 million to 11.2 million in 2008, signals a necessary increase in spending. Further good news for retailers is that South Africans are not great savers of their income. With a saving ratio of only 0.6%, as much 54% of income goes to repaying debt, with the rest being spent. Increased growth in all corporate stores is predicted, as well as increased growth in franchise and voluntary groups.

**Import and Export trade data:** Exports: South Africa’s agricultural exports for 2005-06 reached a total of \$4.88 billion, up from \$4.81 billion in 2004-05. South Africa’s five largest export destinations were Japan (\$512 million), U.K. (\$498 million), the Netherlands (\$422 million), United States (\$254 million), and Italy (\$219 million). South Africa’s most important exports to the United States are fresh citrus, wine, tree nuts, fruit juice, lobster, non-coniferous wood chips, and value-added wood products.

Imports: South Africa’s total agricultural imports for 2005-06 rose to \$3.1 billion from \$2.1 billion in 2004-05. The leading suppliers were Argentina (\$439 million), Brazil (\$329 million), the United States (\$202 million), U.K. (\$182 million), and Malaysia (\$161 million). South Africa’s major imported agricultural commodities from the United States in 2005 were wheat, (sugars, sweeteners & beverage bases), other intermediate agricultural products, tree nuts, logs and chips, and other edible fish and seafood.

**Trends in Online Sales:** According to World Wide Worx, leaders in technology research in South Africa, online retail in South Africa 2006 – broadband and experience are the keys to online retail. As of January 2006, online retail in South Africa reportedly grew by 20% in 2005, down from the 25% growth rate of 2004, as the industry finds itself lagging due to the high cost of broadband internet access in South Africa.

The total spent on online retail goods in South Africa in 2005 was R514 million, up from R428 million in 2004, according to a report from World Wide Worx, “Online Retail in South Africa 2006.” The full report is available on: [www.theworx.biz](http://www.theworx.biz)



The most popular goods to purchase online are groceries, apparel and books. The fastest growing retail categories (in descending order) are flowers and gifts, apparel, food, beverages and groceries.

**Food Standards and Regulations:** Our office prepared reports for exporting to South Africa. For further information, please read Gain Report SF6027, the Food and Agricultural Import Regulations and Standards (FAIRS), and SF6046, FAIRS Export Certificates.

### 1.3 Advantages and Challenges Facing U.S. Products in South Africa

Advantages	Challenges
South Africans are developing a taste for western foods and are willing to try anything once.	Consumers may need to be educated in preparing and eating products.
The growing retail food industry needs imported food and beverage products.	Acquired tastes and preferences for traditional, locally produced products.
Favorable exchange rate, strong rand with the weak dollar make American imports more affordable.	Competition from other countries and locally produced products. 90 percent of products in the retail outlets are locally produced. South Africa's major retailers have joined forces with the Proudly South African (PSA) campaign, launched by the Government, to give PSA suppliers preferential tendering for shelf space, and to promote South African products.
South Africa is a getaway for regional markets.	Consumers are price-conscious and some do not exhibit brand loyalty. Products must constantly be promoted.
South African consumers view U.S. products as high quality.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African importers seek suppliers who can offer reliable and quality products, consolidators of mixed containers at competitive prices.	Challenging for U.S. suppliers to respond to trade lead inquiries in a timely fashion.
Importers and distributors can help develop brand loyalty.	

## Section 2: Road Map for Market Entry

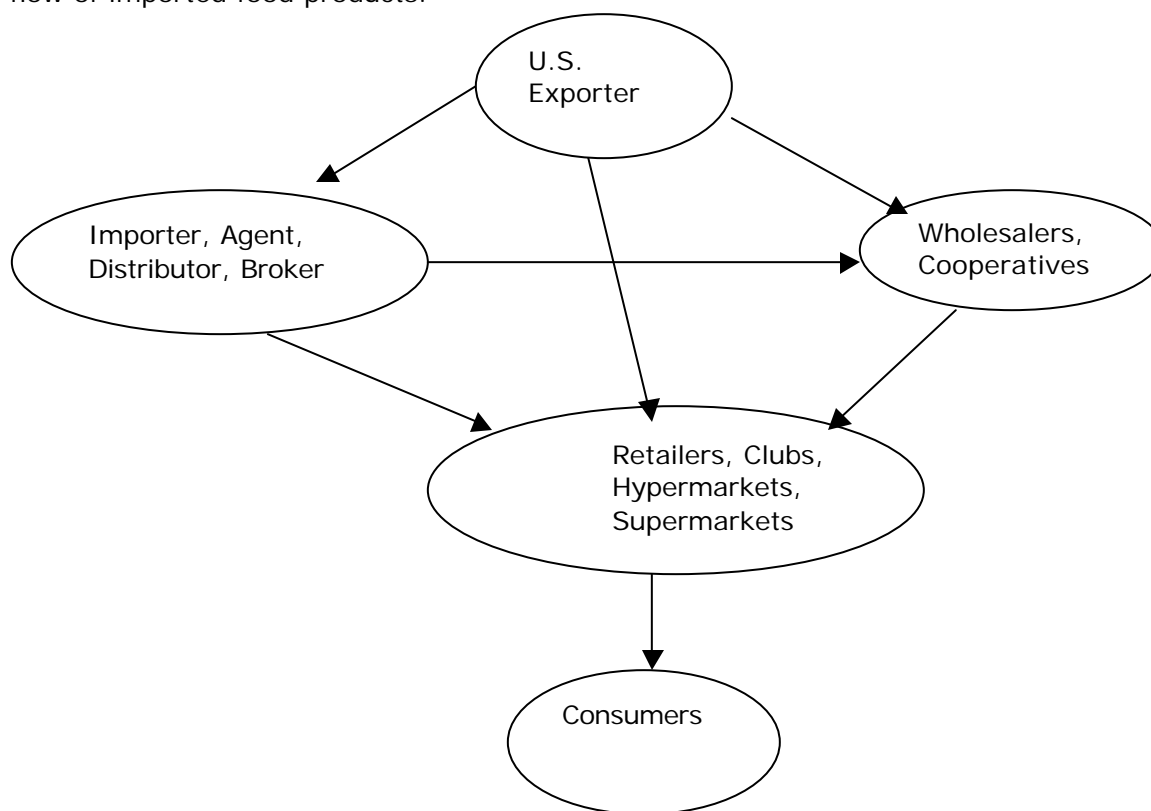
### 2.1 Supermarket:

**2.1.1 Entry Strategy:** Introducing a product successfully depends on promotion and support from the consumer. In South Africa's very competitive marketplace it is essential that U.S. exporters choose the correct agent or distributor. Evidence shows that the most successful U.S. company ventures are those that have researched their market thoroughly before engaging in a search for agents and distributors. Once contacts are established it is advisable to visit South Africa since firsthand knowledge of the market is highly useful. Research has shown that a new opportunity in South Africa is aggressive marketing by sampling and advertising on board local airlines.

In South Africa the terms "Agent" and "Distributor" have a very specific meaning. Agents work on a commission basis after obtaining orders from customers. Distributors buy and sell products directly to their customers. It is common to appoint a single agent capable of providing national coverage either through one office or a network of branch offices. In addition to their role as the local representatives of U.S. exporters, agents should be able to handle the necessary customs clearance, port and rail charges, documentation, warehousing, and financing arrangements. Local agents representing foreign exporters outside South Africa who export goods to South Africa, are fully liable under the South African Import Control Law for all regulations and control imposed on imported products. Local agents are required to register with the Director of Import and Export Control of the Department of Trade and Industry. It is important for a U.S. exporter to maintain close contact with the local agent to track changes in importing procedures and to ensure that the agent is effectively representing his or her interests.

### 2.1.2 Market Structure

Basic flow of imported food products:



- Retail supermarket chains maintain their own distribution systems, using warehouses to allocate goods to supermarket branches.
- Depending on the arrangements, in some instances imports are handled by the supermarket chain's head office or by branches themselves.
- Trends in the distribution channels show that some of the supermarkets are moving toward outsourcing the services of warehousing and transportation.

### 2.1.3 Major Supermarket profile:

Below is a chart of South Africa's major supermarket chains. For the most part, they offer much the same range of products and brands. Gaining a competitive edge through image and service is their major preoccupation. The retailers work hard at establishing their own particular appeal. Some, like Woolworths and Spar, do this by targeting a particular shopper segment, such as upper income groups. Others, like Pick n Pay and Shoprite-Checkers group, go head-to-head more on price and "shopping experience".

One common characteristics among these retail groups is enormous bargaining power. They are all able to dictate their buying terms to suppliers who are expected to deliver products to central depots or warehouses, where the products are then distributed to supermarkets and retail outlet stores. Shoprite-Checkers and Spar, for example, are very strong in the black areas (townships) whereas Woolworths is stronger in the smaller "up-market" segment.

Woolworths and Pick 'n Pay retail chains have entered the township market and opened a few stores. Most supermarkets sell their own-label products as well as manufacturer's brands. The retail industry prefers to buy directly from local manufacturers. For imported products, some supermarkets prefer to deal directly with U.S. companies, because an import agent or a distributor acting as a middleman can add up to 30% to the cost of the product, resulting in less margin for the supermarket.

Supermarkets have recognized the growing demand for prepared food, and compete with convenience stores or quick service stores and have increased the offering of fresh, prepared foods, ready-to-eat meals.

### South Africa's Major Retail Chains

Retail Name	Ownership	Sales (\$Million)	Number of Outlets	Location	Purchasing Agent Type
Shoprite Holdings: - Shoprite - Checkers - Checkers Hypers - Usave - OK Furniture - OK Power Express - House & Home - Hungry Lion fast food - OK Minimark - OK Foods - OK Grocer - OK Minimark - Sentra - Megasave - Value stores	Local	Not available	846	Nationwide	Direct/Importer
Woolworths: - Woolworths - CountryRoad - Woolworths (franchised)	Local/international	Not available	300	Nationwide	Direct/Importer
Spar: - Superspar - Spar - Kwikspar - Tops - Build It	Local/International	Not available	1133	Nationwide	Direct/Importer
Pick n Pay Group: - Pick n Pay Hypers - Pick n Pay Supers - Pick n Pay	Local/International	Not available	706	Nationwide	Direct/Importer

Family - Ritevalu - Score - Pick n Pay Minimarket - Boardmans - Franchise - Pick n Pay Gas Centers					
New Clicks Holdings - Clicks - Discom - Musica - The Body Shop - Style Studio	Local	Not available	664	Nationwide	Direct/importer
Massmart - Game - Dion - makro - Builders Warehouse - Servistar - Feds DIY - Delarex - CBW - Jumbo - Shield	Local/international	Not available	706	Nationwide	Direct/Importer
Metcash - Metro - Trade Center - Liquor World - Stax - Friendly - IGA - Private Labels - UMS - Capital Tobacco	Local/international	Not available	618	Nationwide	Direct/Importer

Sources: Industries website

**Pick n Pay:** The Pick n Pay Group has been one of Africa's largest retailers of food, clothing and general merchandise for the past three decades. Pick n Pay has about 40 percent of the South African retail food sector. The group operates through three divisions, the Retail Division; the Group Enterprises Division; and Franklins Australia, each with their own Managing Director and Management Boards. The Retail Division manages Pick n Pay branded businesses such as food, clothing and general merchandise in Hypermarkets, Supermarkets, Family Franchise Stores, Mini Market Franchise, Clothing, Butcheries Meat Centers, Home Shopping); and Gas Centers. The Group Enterprises Division operates the Group's other non-Pick n Pay branded group activities including Score Supermarkets, TM Supermarkets, property franchises, Go Banking, as well as finding new investment opportunities for the

group worldwide. Pick n Pay has a total number of 706 stores made up of 14 Hypermarkets, 142 Supermarkets, 127 Family Stores, 11 Liquor Stores, 35 Mini Market Franchise, 18 Clothing Stores, 115 Score Supermarkets, 57 Boxers, 5 Pick n Pay Auto Centers, 79 Franklins in Australia, and 92 retail stores in the rest of Africa.

In July 2006, Pick n Pay acquired Fruit & Vegetable City stores. Fruit & Vegetable was established as a family business in 1993, and currently operates a total of 86 Corporate and Franchise stores nationwide. The 86 corporate franchise stores are excluded in the total of 706 Pick 'n Pay stores.

According to the research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Pick n Pay was ranked number two of the top 30 retailers in Africa & the Middle East, with retail sales of USD5.01 million with a market share of 4.0%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

The emphasis of the supermarket division is on total convenience and freshness, with stores trying to add value through the fresh food supply chain. Traditionally Pick n Pay Score supermarkets have had a presence in townships when other retailers have stayed away. Pick n Pay is the most modest of the high-end super market chains. It may be compared to Publix, Kroger, Victory or Safeway in the United States. Price points are similar to those in the U.S.

**Shoprite Checkers:** Shoprite Holdings Ltd has about 40 percent of the market, focusing on the broad middle to lower-end of the market, and is comprised of the following entities: the Shoprite Checkers supermarket group, which consists of 348 Shoprite supermarkets, 110 Checkers Supermarkets, 24 Checkers Hypers, 92 Usave stores, 20 distribution centers supplying group stores with groceries, non-foods and perishable lines, 158 Ok Furniture outlets, 13 OK Power Express stores, 27 House & Home stores, and 74 Hungry Lion fast food. Through its OK Franchise Division, the Group procures and distributes, stock to 31 OK Minimark convenience stores, 24 OK Foods supermarkets, 52 OK Grocer stores, 59 Megasave wholesale stores, and 91 Sentra, Value Stores and buying partners. For more information on this retail chain store visit them on [www.shoprite.co.za](http://www.shoprite.co.za)

Checkers Hypers have a special section devoted entirely to imported foods as well as kosher and halal sections. Catering to middle to higher income groups. Price points are also comparable to the U.S. Shoprite Checkers are similar to a Super WalMart or a Shoppers Food Warehouse type of shopping experience. ACNielsen figures reveals Shoprite had volume growth of 20% in the prepared food category. The overall growth of 11% in frozen prepared food sales, and meals solutions 8%.

For incentive purposes, the retail chains normally send their staff delegation to the FMI show in Chicago. For most of these employees, their trip is linked to a sales or performance award, but several key buyers also attend the FMI show. If you are a U.S. company with a presence at FMI, then it is certainly possible to meet with a Shoprite Checkers buyer at the FMI show in Chicago.

Among South African retailers, Shoprite has the highest number of stores in neighboring Southern and Eastern African countries. Shoprite Head Offices are based in Capetown.

According to the research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Shoprite was ranked number one of the top 30 retailers in Africa & the Middle East, with retail sales of USD5.7 million with a market share of 4.5%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

**Woolworths:** Woolworths Holdings Limited (WHL) is a South African-based retail group chain that operates locally and internationally through two subsidiaries. Woolworths (Proprietary) Limited, and Country Road Limited. Woolworths Proprietary operates and franchises stores in South Africa, Africa and the Middle East; and Country Road Limited, listed on the Australian Stock Exchange, operates in Australia, New Zealand and Singapore. Woolworths offers select ranges of apparel, cosmetics, toiletries, footwear, jewelry and food under its own brand name. Woolworths has about 300 stores, including Owned Woolworths, Franchised Woolworths, and Owned and Franchised Country Road outlets.

Woolworths caters to the wealthiest South African consumers. The shopping experience isn't as up market as a Dean and DeLuca but it's comparable to the Whole Foods/Fresh Fields or Trader Joe's shopping experience in the U.S. They carry a relatively small number of branded products, instead promoting their own Woolworths branded private label products. For many products, Woolworths only offers two choices, the leading brand-name product and Woolworths own private label. Price points are slightly higher than Checkers and Pick n Pay but relatively comparable to similar retail markets in the U.S.

### Woolworths supply chain volumes

	2004	2205	change
Food			
Total distribution units in food including franchise (millions)	38.2	44.1	15%
Clothing and Home			
Total distribution units in clothing and home (millions)	4.2	4.7	12%

Source: [www.woolworthsholding.co.za/retail/operations.asp](http://www.woolworthsholding.co.za/retail/operations.asp)

According to Wendy Hall, Business Day, during 2004/2005 Woolworths opened a number of forecourt convenience food stores in partnership with Engen Gas Station to make inroads into the R4-billion equivalent \$0.6 billion 24-hour convenience retail market, which is growing at about 16% a year. The chain store plans to open at least 24 more by the end of 2008. According to I-Net Bridge, in 2004 three different cards (a store charge card, a cash card and a visa card) coupled with stores were launched to boost sales and improve customer relationship.

According to the research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Woolworths was ranked number six of the top 30 retailers in Africa & the Middle East, with retail sales of USD2.2 million with a market share of 1.8%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

**Spar:** The Spar organization is consists of two types of members: Spar Retailers who are independent store owners, and Spar Distribution Centers, which provide leadership and services to the Spar Retail members. Both members belong to the Spar Guild of Southern Africa, a non-profit company set up to coordinate and develop Spar in Southern Africa. The members pay subscriptions to the Guild, which uses these monies to advertise and promote Spar. The Spar grocery chain emerged in the 1963 when a group of 8 wholesalers was granted exclusive rights to the Spar name in South Africa to service 500 small retailers. A number of mergers and take-overs followed, and today all but one of the wholesalers are owned by the Spar Group Limited which operates 6 distribution centers that supply goods and services to 783 Spar Stores in South Africa comprising of 104 Superspar, 487 Spar, and 192 Kwikspar, 178 Build It, and 172 TOPS. TOPs are liquor stores, and Build It stores caters for building materials.

All stores are independently owned, and many of the purchasing decisions are made at the individual store level. Spar targets high-income consumers and locates its stores in more

up-market neighborhoods. Shopping at a Spar can be similar to shopping at a really good Giant or Shaw's in an up-market neighborhood in the U.S. Visit their website at [www.spar.co.za](http://www.spar.co.za) for more information of Spar.

According to research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Spar was ranked number five of the top 30 retailers in Africa & the Middle East, with retail sales of USD3.0 million with a market share of 2.4%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

**New Clicks Holdings Ltd:** New Clicks is an investment holding company. Its trading subsidiaries are engaged in discount retailing of health, beauty and lifestyle products and services on a predominantly cash basis in Southern Africa through its network of more than 660 stores nationwide. The group operates six multiple brand formats such as Clicks, Discom, United Pharmaceutical Distributors (UPD), The Body Shop, Entertainment Division, and Style Studio. Clicks brand is a specialist retailer of health, beauty and lifestyle products servicing the middle to upper income market; Discom provides urban lifestyle brand specializing in African beauty and decorative homewares; UPD is the largest full-line pharmaceutical wholesaler in the country and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores; the Body Shop is a high-profile global brand which markets naturally-inspired beauty products; Entertainment Division which comprises Musica, is the largest retailer of music and related merchandise in the country; and Style Studio combines a retail store selling professional hair care products with a hair salon. For more information visit the store website at: [www.newclicks.co.za](http://www.newclicks.co.za)

Company owned stores totals 664 as 308 Clicks, 179 Discom, 145 Musica, 29 The Body Shop, and 3 Style Studio. There are 34 stores planned to be opened in 2007. According to research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 New Clicks was ranked number ten of the top 30 retailers in Africa & the Middle East, with retail sales of USD1.6 million with a market share of 1.3%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

**Massmart Holdings:** Massmart is a managed portfolio of ten wholesalers and retail chains, each focused on high volume, low margin, low cost distribution of mainly branded consumer goods for cash, through 228 outlets, and one buying association serving 478 independent retailers and wholesalers, in 11 countries in sub-Saharan Africa. The group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods. Wholesale stores includes Makro, Game, Dion, Builders Warehouse, Shield, Delarex, Feds DIY, Servistar, CBW, and Jumbo. Visit the group website at: [www.massmart.co.za](http://www.massmart.co.za) for more information. The Group anticipate to open 58 new stores in a three year plan by 2009.

According to research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Massmart was ranked number three of the top 30 retailers in Africa & the Middle East, with retail sales of USD4.8 million with a market share of 3.9%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

**Metcash:** Metcash Africa is the largest distributor of fast moving goods (FMCG) on the African continent. It has extensive franchise retail interests in South Africa and operates in other African countries (Angola, Botswana, Malawi, Namibia, Lesotho, Swaziland, Uganda, and Zimbabwe). It also has a trading office situated in Hong Kong, and its office in Thailand handles distribution, wholesale and retail. The brand stores include Metro Cash and Carry, Trade Centers, Liquor World, Stax, Friendly Warehouses, Independent Grocers Alliance (IGA), with private labels (Family Favorite, Astor, and Golden Circle) sold in more than 9 countries



and around the world. Unitrade Management Services, and Capital Tobacco Company. For more information visit the group website at [www.metcash.co.za](http://www.metcash.co.za).

According to the research by M+M Planet Retail – [www.planetretail.net](http://www.planetretail.net), in 2005 Metcash was ranked number four of the top 30 retailers in Africa & the Middle East, with retail sales of USD3.4 million with a market share of 2.7%. The net sales only reflect the retailer's shareholdings in the countries where they operate.

## 2.2 Convenience Stores

### 2.2.1 Entry Strategy:

Convenience is a relatively new trend in the South Africa's fast moving consumer goods (FMCG) market. Major retailers and wholesalers own most of the convenience stores.

According to a local publication South Africans love shopping at forecourt stores (gas stations), perceiving them to be time saving, easy access, well lit, safe and convenient. Convenience stores operate on extended hours or in some instances they are open 24 hours. There are around 2,239 branded forecourt stores in South Africa, of which 1,500 opened in the past 10 years. Recent research by ACNielsen shows that forecourt stores are fast developing into trendy outlets offering good, readily available food and beverages 24 hours a day. According to the study, 30% of the 2,500 respondents used forecourt stores at least once a week in the past year. As South Africa's cities grow and consumers and more women enter the workplace and earn more money, the convenience of the forecourt becomes more important and shows growth. Some of the major retail chain such as Woolworths, have acquired gas stations and turned them into Food stops to highlight products in-store. Depending on the size of the store, other gas stations stores layout are even bigger than some supermarkets.

Despite requirements for convenience, South African manufacturers are not yet fulfilling these needs adequately. Product ranges are still limited and distributed through limited retail outlets targeted at the higher income consumers. Baby food is another of the four fastest growing categories with an annual value growth of +24.5%, clearly influenced by this economic transition.

### 2.2.2 Market Structure:

The market structure is covered in detail under the supermarket section of this report.

### 2.2.3 Major Convenience stores profile:

Retail Name	Ownership	Turnover (\$M)	Number of Outlets	Location	Type of Purchasing Agent
OK Franchise Division: - Ok Grocer - OK Foods - OK MiniMark	Convenience stop shops owned by Shoprite Holdings	Not available	102	Nationwide	Direct/Importer
Friendly Shoppe's	Convenience stop shop owned by Metcash	Not available	53	Nationwide	Direct/Importer

	Wholesaler				
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For gas stations, here are some of the gas industries websites:

BP, [www.bp.com](http://www.bp.com)

Shell, [www.shell.com](http://www.shell.com)

Total, [www.total.com](http://www.total.com)

## 2.3 Traditional Markets

**2.3.1 Entry Strategy:** Food retailers in South Africa range from highly sophisticated supermarkets at one end to primitive little street corner stalls at the other. In years past, predominantly black townships were virtually unserved in terms of retail infrastructure. The informal retail sector in South Africa is increasingly recognized by manufacturers and wholesalers as an important delivery channel of goods to consumers. Informal market retailers cater to the needs of the residents via independent grocery stores such as cafes, general dealer stores and several informal South African retail concepts (tuck shops, shebeens, taverns and spazas) including hawkers (street vendors), kiosks, take-aways and fast foods. With the end of apartheid, major retailers have also extended their services to these townships. Marketers saw the spaza as the beginning of a new form of township convenience retailing, conveniently close to consumers, and open at extended hours. Information traders are generally defined as retailers that are not registered for VAT.

Spaza shops are defined as small retail enterprises operating from a residential stand or home, engaged in trading consumer goods. Spaza shops operating mainly in the townships are making their presence felt in the local retail market. Products traded include food and nonfood products.

The informal retail market in South Africa is an important player, with an estimated turnover of \$5 billion. The informal sector is acknowledged as an important delivery channel of goods to customers. However, the view is held that this sector may have peaked, as more formal shopping centers are being developed in disadvantaged areas. Currently, more stores are trading seven days a week, creating a greater opportunity to reach shoppers. Sunday trading is becoming increasingly important as the trend towards convenience continues. End of the month shopping remains extremely significant.

On average, start-up investment for spaza shops amounts to less than \$1000. Spazas are mainly financed by private savings or loans from relatives or friends. Average employment amounts to about 3 employees per business. Considering that the number of spazas may be 100,000, this sector of the economy may provide 230,000 to 290,000 jobs, and support more than one million people. The most important products sold by spaza shops are (in descending order): soft drinks, cigarettes, paraffin, candles, maize meal, alcoholic beverages, bread and sugar.

There is now growing awareness among manufacturers and producers of the importance of the spaza retailers as a marketing channel. More than 20% of spaza owners report that products such as soft drinks, dairy and bakery products are now delivered to their shops. The most serious problems encountered by spaza owners are shortage of trading stock/finance (38.8%), high levels of crime (robbery 25%), severe competition (20.6%), expensive transport (19.7%), and bad debt or the granting too much credit (17.1%). Although spaza retailers are often seen as survivalist enterprises, it is clear spazas are becoming not only a permanent phenomenon on the South African economic scene, but more sophisticated and closely linked to the rest of the economy than commonly perceived.

2.3.2 Market Structure: The market structure is covered in detail under the supermarket section of this report.

2.3.3 Traditional Market profile: Wet markets in South Africa have traditionally been similar to those in most developing countries. Informal market retailers cater to the needs of the residents via cafes and several informal South African retails concepts (tuck shops, shebeens, taverns and spazas) including hawkers (street vendors). With the end of apartheid, major retailers are extending their services to these townships as well, but spaza shops are still critical for township convenience retailing.

### Section 3: Competition

The following table highlights South Africa (SA) key products and trading partners between 2003 – 2005:

Product Category and HS Code	Major Supply countries and strength of supply	SA EXPORTS to USA Millions of US\$			SA IMPORTS from USA Millions of US\$			Advantages and disadvantages of local suppliers
		2003	2004	2005	2003	2004	2005	
Meat and Edible meat offal (02)  South Africa net imports from the World of US\$ 147.23 million in 2005 versus US\$ 113.78 million in 2004.  South Africa net exports to the world of US\$ 0.95 million in 2005 versus US\$ 0.64 million in 2004.	Brazil – 63% Australia – 10% Canada – 6%  USA minor supplier of 0.7%	0.01	0.04	0.04	4.19	0.80	2.40	South Africa is a net importer of meat and meat products. The pattern of imports in this category is variable and depends largely on local conditions. Brazil, Australia and Canada are members of MFN status countries.
Fish and Seafood (03)  Net imports from the world of US\$ 19.05 million in 2005 versus US\$ 14.33 million in 2004.  Net exports to the world of US\$ 71.46 million in 2005 versus US\$ 66.18 million in 2004.	India- 27% Japan -9% Mozambique - 8%  USA- Minor supplier of 3%	30.61	29.51	32.34	1.050	2.92	2.88	South Africa is a net exporter of fish and seafood products. Imports in this category have been increasing steadily over the past years, and thus, despite the fact that South Africa is a net exporter, opportunities do exist. The majority of imports are crustaceans and other seafood (squid) and fish meat.
Prepared Meat, Fish (16)  Net imports from the world of US\$ 30.39 million in 2005 versus US\$ 27.37 million in 2004.	Thailand – 36% Philippines- 19% Zimbabwe – 8%  USA – Minor supplier of 3% in 2005 from 5% in 2004.	0.10	0.31	0.43	0.90	1.93	1.25	Mozambique and Zimbabwe are amongst 14 members of the Southern African Development

Net exports to the world of US\$ 13.94 million in 2005 versus US\$ 12.15 million in 2004.	<p>US imports of (0306) crustaceans declined from US\$ 4 million in 2004 to US\$ 3.6 million in 2005. Category (0307) Molluscs have shown the most growth from US\$ 1.3 million in 2004 to US\$ 1.8 million in 2005. US imports of (0306) crustaceans declined from US\$ 4 million in 2004 to US\$ 3.6 million in 2005. Category (0307) Molluscs have shown the most growth from US\$ 1.3 million in 2004 to US\$ 1.8 million in 2005.</p> <p>The United States enjoys a dominant position in the canned salmon market holding a market share of 95.6%, and Canada 4%. For shrimp and prawns, horse mackerel and snoek, demand is for frozen products.</p>							Community (SADC). SADC committed itself to the creation of a free trade area (FTA) when a Protocol on Trade was signed at the SADC Summit in 1996. South Africa joined SADC in August 1994. Japan and Philippines are classified as Most Favored Nations (MFN) status. MFN members pay duty on goods imported into South Africa for certain categories of goods. South Africa and India 1996 bilateral trade agreement.
<p>Dairy Products (04)</p> <p>Net imports from the world of US\$ 11.49 million in 2005 versus US\$ 9.74 million in 2004.</p> <p>Net exports to the world of US\$ 0.42 million in 2005 versus US\$ 0.72 million in 2004.</p>	<p>New Zealand – 20% France – 19% Ireland – 11%</p> <p>USA a minor supplier of 0.9%</p>	0.03	0.11	0.01	0.27	1.03	0.72	<p>South Africa is a net exporter of dairy products.</p> <p>New Zealand is a member of MFN status countries. France and Ireland are members of European Union (EU). The EU and South Africa signed a Free Trade Agreement (FTA) in 1999. The agreement will be phased in over a ten to twelve year period and will essentially liberalize 86% of South Africa's imports</p>

								from EU and about 95% of EU imports from South Africa. The overall agreement meets WTO requirements of 90% coverage.
<p>Edible Fruit and Nuts (08)</p> <p>Net imports from the world of US\$ 15.62 million in 2005 versus US\$ 12.63 million in 2004.</p> <p>Net exports to the world of US\$ 486.34 million in 2005 versus US\$ 461.95 million in 2004.</p>	<p>Turkey – 15% United States - 14% Brazil - 9%</p> <p>The United States is a major supplier of almonds with a market share of about 86.9%.</p> <p>USA imports of US\$ 7.2 million versus US\$ 4.8 million in 2004.</p>	37.50	41.74	54.6	3.29	5.30	7.58	<p>South Africa is a net exporter of dried fruits and a net importer of nuts. However, a small market exists for dried exotic fruits, and opportunities exist for shelled hazelnuts, desiccated coconut, cashew nuts and shelled almonds. Brazil is a member of MFN status countries.</p>
<p>Coffee, Tea, Mate and Spices (09)</p> <p>Net imports from the world of US\$ 7.80 million in 2005 versus US\$ 8.52 million in 2004.</p> <p>Net exports to the world of US\$ 7.64 million in 2005 versus US\$ 7.61 million in 2004.</p>	<p>Malawi – 19% Vietnam – 15.9% India – 9.5%</p> <p>US minor supplier of 0.15%</p> <p>Category 0902 (pepper) have shown growth from US\$ 4.334 in 2004 to US\$ 26.322 in 2005; category 0904 (tea) growth from US\$ 20.814 in 2004 to US\$ 64.690 in 2005.</p>	2.5	2.03	2.84	0.10	0.08	0.16	<p>South Africa is a net importer of spices. Local production of tea, coffee is insufficient to meet local demand. Malawi is a member of MFN status countries.</p>
<p>Sugars and Sugar Confectionery (17)</p> <p>Net imports from the world of US\$ 19.82 million in 2005 versus US\$ 17.40 million in 2004.</p> <p>Net exports to the world of US\$ 275 million in 2005 versus US\$ 223.71 in 2004.</p>	<p>Brazil - 42% USA – 7.5% Colombia – 7.2%</p> <p>USA imports decline from US\$ 5.9 million in 2004 to US\$ 5.7 million US\$ in 2005.</p> <p>Category (1704) shown most growth from US\$ 280.000 to 529.000 in 2005.</p>	11.71	10.9	21.35	3.29	6.43	6.63	<p>South Africa is a net exporter of sugar. The majority of imports are in the category of other sugar products in solid form, such as cane and beet sugar.</p> <p>January 2006 saw customs duty on sugar confectionery not containing cocoa classifiable under the tariff subheading 1704.90 increased from 25% ad valorem to 37% ad valorem. Brazil and Columbia are members of MFN status countries.</p>
Preserved Food (20)	China – 21%	24.2	19.68	11.73	1.44	1.31	2.29	China supplies price

<p>Net imports from the world of US\$ 12.54 million in 2005 versus US\$ 8.54 million in 2004.</p> <p>Net exports to the world of US\$ 128.3 million in 2005 versus US\$ 95.94 million in 2004.</p>	<p>Argentina – 17.3% Italy – 16.2%</p> <p>USA – Minor supplier of 3.4%.</p> <p>USA imports increased from US\$ 1.3 million to US\$ 2 million in 2005. Category 2008 jumped from US\$ 0.60 million in 2004 to US\$ 1.4 million in 2005. Other categories that have shown growth is 2001, 2005 and 2007.</p>							<p>competitive products.</p> <p>Argentina is a member of MFN status countries; whereas Italy is a member of EU states.</p>
<p>Miscellaneous Edible Preparations/Processed Fruit &amp; Veg (21)</p> <p>Net imports from the world of US\$ 96.52 million in 2005 versus US\$ 75.22 million in 2004.</p> <p>Net exports to the world of US\$ 6 million in 2005 versus US\$ 4.01 million in 2004.</p>	<p>USA – 16% Netherlands – 14% Germany – 12%</p> <p>USA imports jumped from US\$ 17.7 million to US\$ 19.3 million in 2005. Categories (2106) food preparations shown most growth from US\$ 15.9 million to US\$ 17.7 million in 2005; and category 2102 from US\$ 0.34 million to US\$ 0.42 million in 2005.</p>	3.68	2.73	4.17	13.82	19.19	21.36	<p>South Africa is a net exporter of processed fruits and vegetables. Opportunities exist for canned peas, and import of grape and apple juice which are used as a base for other fruit juices, prepared and preserved tomatoes, and fruit pulps.</p> <p>Netherlands and Germany are members of EU states.</p>
<p>Beverages (22)</p> <p>Net imports from the world of US\$ 178.31 million in 2005 versus US\$ 144.33 million in 2004.</p> <p>Net exports to the world of US\$ 596.12 million in 2005 versus US\$ 537.96 million in 2004.</p>	<p>UK – 49% US – 12% Austria – 9.7%</p> <p>USA imports jumped from US\$ 17 million in 2004 to US\$ 25.7 million in 2005. Category (2208) Ethyl alcohol shown most growth from US\$ 16.6 million in 2004 to US\$ 25 million in 2005. Other categories that have shown growth are 2201 from US\$ 28.944 to US\$ 83.503 in 2005; 2204 from</p>	32.21	47.86	62.51	6.31	18.75	28.63	<p>South Africa is a net exporter of alcoholic beverages. This market is dominated by well known brands from the UK.</p> <p>The South African appetite for American spirits has grown over the last three years.</p> <p>UK and Austria are members of EU states.</p>

	US\$ 37.854 to US\$ 70.324 in 2005; and category 2209 from US\$ 3.928 to US\$ 9.224 in 2005.							
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Source: World Trade Atlas

The table below shows how some South Africa retail chains performs regionally.

#### Africa & Middle-East: Top 30 Grocery Retailers, 2005:

Rank	Company	Country of Origin	Retail Banner Sales (USD mn) e	Market Share (%)	Grocery Sales (%)
1	Shoprite	South Africa	5,661	4.5	74.8
2	Pick 'n Pay	South Africa	5,017	4.0	86.2
3	Massmart	South Africa	4,827	3.9	39.5
4	Metcash (RSA)	South Africa	3,370	2.7	85.5
5	Spar (South Africa)	South Africa	2,990	2.4	85.0
6	Woolworths (RSA)	South Africa	2,217	1.8	26.9
7	Casino	France	2,208	1.8	69.0
8	Carrefour	France	1,981	1.6	70.0
9	Supersol	Israel	1,676	1.3	73.5
10	New Clicks	South Africa	1,592	1.3	52.5
11	Blue Square	Israel	1,537	1.2	82.5
12	Emke Group	UAE	1,113	0.9	64.1
13	Consumer Co-op UAE	UAE	681	0.5	90.0
14	Auchan	France	664	0.5	70.7
15	Al Safeer	UAE	650	0.5	75.7
16	Spinneys	UAE	618	0.5	75.0
17	Panda	Saudi Arabia	609	0.5	71.9
18	Giant Stores	Saudi Arabia	545	0.4	60.0
19	Al Othaim	Saudi Arabia	540	0.4	76.0
20	Clubmarket	Israel	484	0.4	76.2
21	The Sultan Center	Kuwait	481	0.4	70.0
22	Bin Dawood	Saudi Arabia	423	0.3	70.2
23	Choitram	UAE	381	0.3	90.0
24	Tiv Taam	Israel	311	0.2	98.0
25	Metro Group	Germany	287	0.2	73.0
26	Abu Dhabi Co-op	UAE	274	0.2	68.3
27	Petronas	Malaysia	265	0.2	82.5
28	Tamimi	Saudi Arabia	202	0.2	75.0
29	Total	France	189	0.2	74.2
30	Al Maya	UAE	159	0.1	53.9
	Subtotal		41,952	33.7	
	Others		82,534	66.3	
	Total MGD Sales		124,486	100.0	

Note: e - estimated

Source: Planet Retail Ltd – [www.planetretail.net](http://www.planetretail.net)

**Section 4: Best Products Prospects****A. Products Present in the Market Which Have Good Sales Potential:**

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is USDA's statistics on Other Consumer-Oriented Products sub-category, which reached a 30-year high in 2005 of \$16.04 million. Within this sub-category, other food preparations (HS210690) have shown consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS08021200), pistachios (HS08025000), canned pink salmon (HS16041100), whiskey (HS220830) and vegetable seeds (HS120991).

According to 2005 data, the United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 90.10%, 77.54% and 20.19% of market share respectively. The whiskey market is significantly different. In 2004, the U.K. held 67.02% of market share while the United States held only 12.69%. However, the United States increased whiskey exports to South Africa in 2004 and 2005 and now holds 28.21% of the market. The U.S. has seen annual growth increase over the past 5 years by an average of 21% per year in this sector. This growth may be due, in part, to a South African preference for successfully promoted American branded products (Jack Daniels, for example). This preference is expected to continue and should help other American products be more competitive in South Africa. This along with successful marketing techniques and brand awareness may lead to the growth of other American-branded, high-value products.

Product Category	2005 South Africa Market Size	2005 U.S. Exports to S.A. (\$1,000)	Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Whiskey HS220830	1140.127	25.825	55.04	154c/L	United Kingdom has large market share and a first mover advantage.	U.S. brands are considered high quality and attract new, younger consumers.
Pistachios HS08025000	0.82	0.672	258.21	Free	Iran has 69.28% Market Share	
Almonds HS08021200	7.040	6.343	52.70%	Free		U.S. has largest market share.
Canned Pink Salmon HS16041100	1.324	1.026	-44.37%	6c/kg		U.S. has largest market share.
Other Food Preparations HS210690	90.514	14.749	11.18%	Varied		U.S. brands are becoming increasingly popular given their high quality attributes
Vegetable	12.630	2.592	-15.52%	Free	Netherlands	



Seeds HS120991					leads sector with 33.09% Market Share	
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Source: World Trade Atlas

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential:

The Agricultural Marketing Specialist visited the October 2006 Natural and Organic Expo held in Johannesburg. The show survey revealed that the South African natural and organic market sector has grown 300% over the past two years, and is expected to grow at over 30% per year in the next five years. There are only 200 certified "Organic" producers in South Africa, compared to Mexico with approximately 35,000. South Africa has only 4 organic wine producers – there were over 750 organic wines exhibitors at BIOFACH in Germany in 2005.

Retailers are looking for:

- Natural and Organic food products of all descriptions;
- Natural and organic beverages;
- Organic detergents and chemicals for home and industry;
- Natural & organic cosmetics, make-up and body and skin care;
- Natural and complimentary medicine;
- Lifestyle products;
- Organic and eco-friendly textiles;
- Sustainable and renewable energy solutions;
- Organic agricultural products and equipment;
- Services and consultants; and
- Packaging and processing.

C. Products Not Present Because They Face Significant Barriers:

In July 2000, South Africa imposed prohibitive anti-dumping duties on U.S. chicken leg quarters, an action that has virtually cut off U.S. chicken exports to South Africa.

On September 16, 2005, the International Trade Administration Commission (ITAC) of South Africa initiated in Notice No. 1737 of Government Gazette No. 28011 of 2005 a sunset review of anti-dumping duties on frozen meat of fowls of the species *Gallus Domesticus* cut in pieces with bone-in originating in or imported from the United States. The review is based on prima facie information submitted by South African Customs Union (SACU) industry indicating that expiry of duty on December 27, 2005 would likely lead to continuation or recurrence of dumping and material injury.

Earlier in 2004, the South African Poultry Association (SAPA) petitioned the government to increase the general MFN duties on all poultry meat products, but the government only approved an increase in the duty on imports of poultry offal. Given the competitive pressures and protectionist nature of SAPA, we can expect more such appeals to the government. But it is Brazil that has taken over from the USA as the leading foreign supplier of frozen chicken and turkey meat to South Africa during 2001 - 2004, and it will be interesting to see how effectively the South African poultry industry can lobby its government to restrict future trade from one of its closest "South-South" allies in the field of international trade. The prohibitive anti-dumping duty remains enforced.

At this time the USDA is working with the South African Department of Agriculture to increase the types of fresh fruit such as apples that can be shipped from the United States to

South Africa. Some Veterinary officials from the Department traveled to the United States in October 2006 for bilateral meetings, including discussions of market access issues related to apples.

## **Section 5: Post Contact and Further Information**

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: <http://www.fas.usda.gov>

Post acknowledges the following sources: Retail industry publications and websites; ACNielsen Reseachers, Global Trade Atlas, and local retail publications.